

# THE CAMPBELL SOUP COMPANY

**Calvin Crowder**

## **External Environment**

1. *Identify three general environment segments and their important examples for the corporation and explain why they are relevant.*

- **Economic Segment**

Higher interest rates lead to a reduction of spending within the consumer staple sector. Higher rates increase the cost of capital for companies, creating financial constraints for expansion and growth efforts (Brock, 2024).

Campbell Soup Company (or Campbell's), products fall within this sector. Campbell's CEO, Mark Clouse said, "For instance, in 2023, the U.S. experienced significantly heightened inflationary pressures which we expect to continue into 2024. We may not be able to fully mitigate the impact of inflation through continued price increases, productivity initiatives and cost savings, which could have a material adverse effect on our financial results" (Campbell Soup Company, 2023). Campbell's is not immune from the rising pressures interest rates have placed on both the company and consumers.

- **Political / Legal Segment**

Compliance with local, state and federal regulators is a requirement for all companies. Within the food manufacturing industry, compliance is non-negotiable and failure to comply with applicable laws and agency regulations could result in fines, penalties, product recalls and reputational damage. More recently, food marketing compliance has been a focus

for regulators and legal experts.

Campbell's operates within a highly regulated food manufacturing industry. In the U.S., alone, the FDA, FTC, OSHA, EPA along with the Departments of Agriculture, Labor, and Commerce contribute to the long list of federal, state and local compliance agencies with which food manufacturers must adhere (Campbell Soup Company, 2023). Recently, the way in which food products are marketed has come under legal and regulatory scrutiny, with an increased number of claims that relate to false marketing and other claims that relate to metals within food products (Walton, 2024).

- **Technological**

The reduction of greenhouse gasses has been paramount in the fight against global warming. Higher levels of greenhouse gases have had an increased impact on global warming (Harlan, 2024). Campbell's is reliant on critical agricultural products as part of its raw materials. "Adverse weather conditions and natural disasters can reduce crop size and crop quality, which in turn could reduce our supplies of raw materials..." (Campbell Soup Company, 2023).

### **Internal Environment**

2. *Identify the industry to which the corporation belongs using the Standard Industrial Classification (SIC) CodeLinks to an external site.*

*(<https://www.sec.gov/search-filings/standard-industrial-classification-sic-code-list>) The U.S. government assigns this four-digit numerical (SIC) code according to business activities. Then, analyze the Forces of Porter in the industry and determine each force's power level (which force appropriates most of the industry profit). Finally, explain (why?) each force's power level. Use examples or evidence in your responses.*

## **Standard Industrial Classification (SIC) Code: 20330000 Canned fruits and specialties**

### **Porter's Five Forces Model of Industry Competition**

- **Threat of new entrants**

*Low power level.* As addressed earlier, the barriers to entry into food manufacturing are substantial. In addition to stringent government regulation related to food health and safety compliance, the required food-grade quality manufacturing facilities, specialized machines and customized equipment come with heavy capital expenses. Even with an ability for a new manufacturer to enter the space, there is no guarantee the product will be delivered expediently to retailer shelves. Many large retailers and wholesalers only evaluate their shelves to understand whether they have the right mix of products and brands, just once a year (Williams, 2024).

- **Bargaining power of buyers**

*Moderately high-power level.* Prior to the pandemic, consumers had a greater variety of choice in food brands (Reiley, 2020). With fewer choices, buyers have less leverage than before. While fewer choices create higher power levels for food manufacturers, those levels are increased through brand acquisition (Dess et al., 2024, p. 56).

According to a recent Forbes article, even though there seems to be greater variety in brands on shelves, most of the grocery categories are dominated by only a small number of companies which own most of the familiar brand names (Schweizer, 2024). However, consumers are also pushing back against premium brand prices by choosing alternative private-

label brands. This equates into higher margins for retailers (Lee, 2024). Greater consumer knowledge and the shift to healthier, non-processed alternatives has also played a role in buyer bargaining power.

- **Bargaining power of suppliers**

**Moderate power level.** Supply-chain shortages are a significant risk for large food manufacturers. Campbell's cites supply chain disruption as a primary risk in the company's 2024 annual report (Campbell Soup Company, 2023). Similarly, Conagra also highlights supply chain disruptions as a significant potential risk in the company's 2024 annual report (Conagra Brands, 2024). Suppliers can pressure companies by raising the price of materials, reducing the availability of materials or downgrading material quality. Suppliers with only a few customers also run a risk of allowing buyers to dictate terms (Dess et al., 2024, p. 57).

Campbell's works to mitigate the bargaining power of their suppliers by creating large, diverse supplier networks. However, in some cases, Campbell's is reliant on certain suppliers for raw materials, thus putting more power into suppliers' hands. In Campbell's 2023 annual report, the company cites 'reliance on key supplier relationships' as an ongoing risk (Campbell Soup Company, 2023).

- **Threat of substitute products and services**

**Moderate power level.** In an economic era of rising interest and unemployment rates, consumers begin to look for more cost-effective alternatives to premium name brands. Cheaper store brands, or private label brands, offer customers cost-saving options (Woods, 2024)

During Campbell's quarterly earnings call, Campbell CEO, Mark Clouse said, "Consumers are beginning to seek deals on snacks and trade down to less expensive store-brands in categories like cookies" (Newman, 2024). Retailers also recognize higher margins by selling private label brands. This trend will continue to impact Campbell's as well as other manufacturing brands.

- **Intensity of rivalry among competitors in an industry**

*High power level.* Large food manufacturers are under increased pressure to expand brands and offerings to better compete across a broader global marketplace. Rivalry not only comes from other large food manufacturers, but from competition in private labels and upstart brands (Back, 2024). The overhead from marketing and advertising puts big food brands at a disadvantage.

In addition to inflationary pressure, Campbell's reported flat organic sales, when compared year over year, in its latest financial report (Back, 2024). Innovation, market and brand expansion will be an imperative focus for the company to fend off fierce competition with industry rivals.

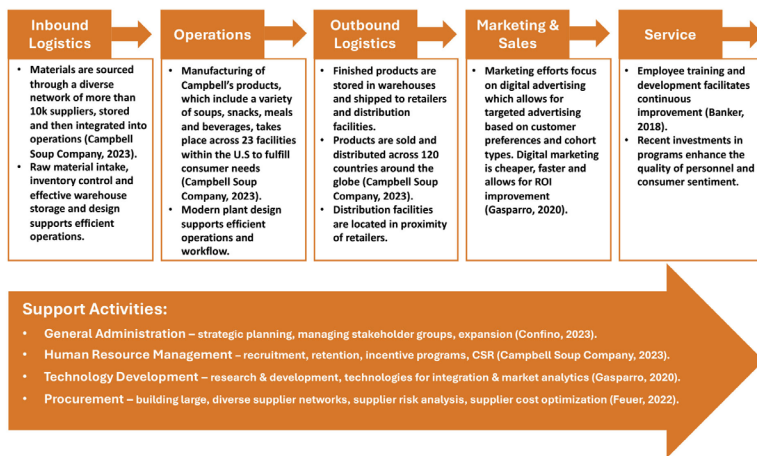
### **Internal Environment**

1. *Represent the value chain of your corporation using one (1) [process modeling tool](#) (flow chart, RADs, etc.). In the representation, clearly identify and describe the relevant primary and support activities. Then, discuss how the company created value for customers. In doing so, identify the customer needs to be addressed by your corporation (products or services) and how the delivery is (fast, slow, cheap, expensive, a combination, etc.).*

### Primary Activities

Campbell's creates customer value through inbound logistics, as raw materials are obtained, stored, and then integrated into the operations process. A streamlined intake process supports an efficient manufacturing process as soups, snacks, meals and beverages are

Campbell's Value Chain



Graph 1 – Campbell's Value Chain

produced across 23 U.S. manufacturing plants (Campbell Soup Company, 2023). Continuous investment in modernization of plants and equipment ensures customer needs are quickly fulfilled without risk of disruption. Plant optimization and modernization also reduces greenhouse gasses, benefitting both consumers and the company. Campbell's supply chain is dependent upon natural resources and a healthy climate.

Final products are efficiently shipped, globally, to warehouses, distribution facilities and retailers across 120 countries (Campbell Soup Company, 2023). Marketing and sales focus on understanding customer preferences, developing customer profiles and use digital marketing to quickly and iteratively promote products to consumers

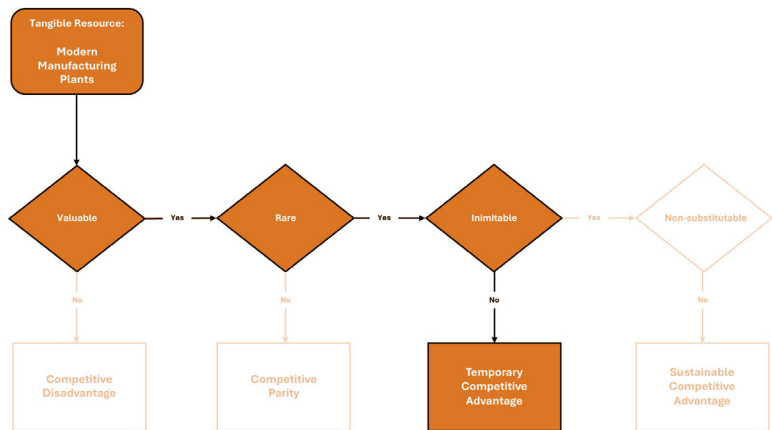
(Gasparro, 2020). Investments in training enhance service quality and facilitate continuous employee development. Consumer needs are met as they can purchase soup, snack, meal and beverage products from local retailers.

### **Support Activities**

General administration supports Campbell's business through strategic planning, managing stakeholder groups and supporting value-chain activities. Expansion is a critical path for Campbell's as the company continually adds to its portfolio through brand acquisition. Brand expansion provides customers additional choice in products. In 2023, for example, Campbell's purchased Roa's pasta sauces for \$2.7B (Confino, 2023). Human Resource Management (HRM) works to recruit, retain and develop employees as well as manage incentive programs. Often found within HRM, Corporate Social Responsibility (CSR) is also an important part of giving back to the community. In 2023, Campbell's announced raising over \$1.3M through their employee giving campaign, which goes directly back into positively impacting local communities (Campbell Soup Company, 2023). Through technology, Campbell's can rapidly identify market opportunities. Technology development creates value for customers by supporting research and development efforts and the technologies required for market analysis and brand integration (Gasparro, 2020). The company can deliver its products into the hands of consumers across broader markets. Finally, procurement fundamentally supports the value-chain by building and cultivating large, diverse supplier networks, performing supplier risk-analysis and ensuring costs are optimized. These diverse networks help ensure the flow of raw materials is not disrupted by supplier events or natural disasters (Feuer, 2022).

*3. Represent the resource-based-view analysis of your corporation using one (1) process modeling tool (flow chart, RADs, etc.). In the representation,*

*identify and clearly describe your corporation's relevant resources or capabilities (at least two resources and two capabilities). Then, appraise if they are valuable, rare, difficult to imitate, and difficult to substitute. Finally, discuss the advantage each resource and capability would offer the company (competitive disadvantage, competitive parity, unused competitive advantage, or sustainable competitive advantage).*



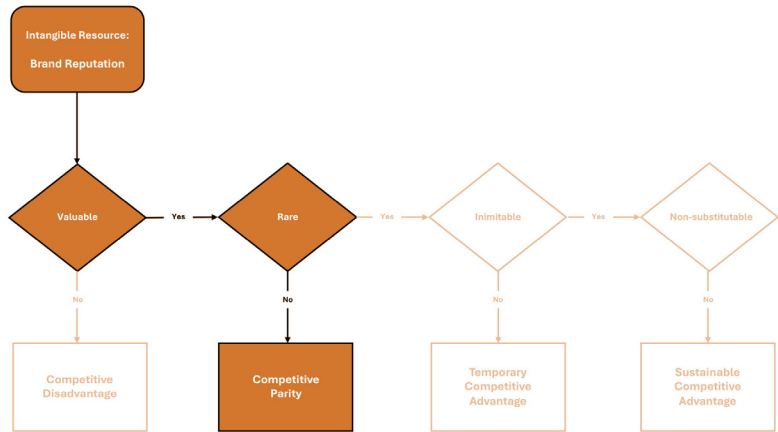
**Graph 2 – Campbell's Modern Manufacturing Plants as a Temporary Competitive Advantage**

**Caption:** As one of the largest food manufacturing companies, Campbell's modern manufacturing plants are valuable and rare, however, with low causal ambiguity, they are imitable by most other large food manufacturers (Sorvino, 2022).

### Modern manufacturing plants

Campbell's continues to support the modernization of its operations by investing capital into manufacturing and distribution networks. By identifying underperforming sites and moving production to more effective plants, the company best leverages financial investments to produce and enhance its products. The outcome is represented by increased value for customers and shareholders (Campbell Soup Company, 2024). Although these modern plants are valuable and rare assets, they are imitated by other large food

manufactures which creates a temporary competitive advantage for the company.

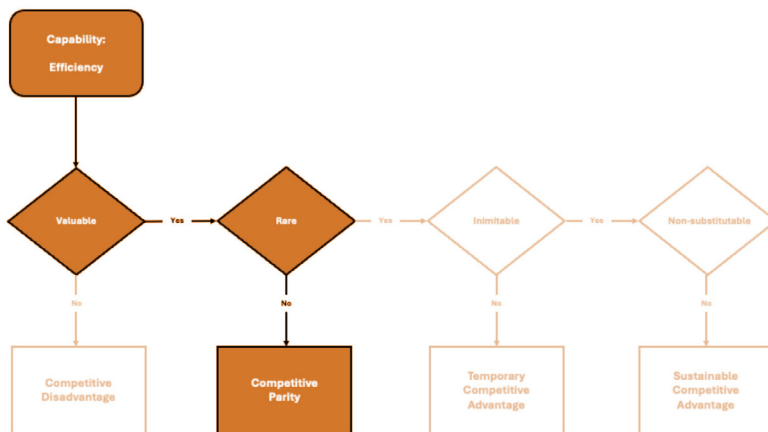


Graph 3 – Campbell’s Brand Reputation as Competitive Parity

Caption: Although Campbell’s has been around for more than 150 years, building value in brand and reputation, this is not rare. Most large food companies also strive to maintain and enhance brand reputation (Giella, 2024).

### Brand reputation

According to a recent Newsweek report, Campbell’s is one of the most trusted food and beverage companies within the United States (Giella, 2024). With a parent brand that has been around from more than 150 years, Campbell’s has built a reputation of trust through care for employees, consumers and communities. The company focusses on integrity, transparency, fostering inclusivity and diversity, while innovating and continuously improving. This intangible resource continues to provide value for the company through brand equity and awareness, however, it is not rare and therefore simply creates competitive parity with other, similar large food brands and manufacturers.

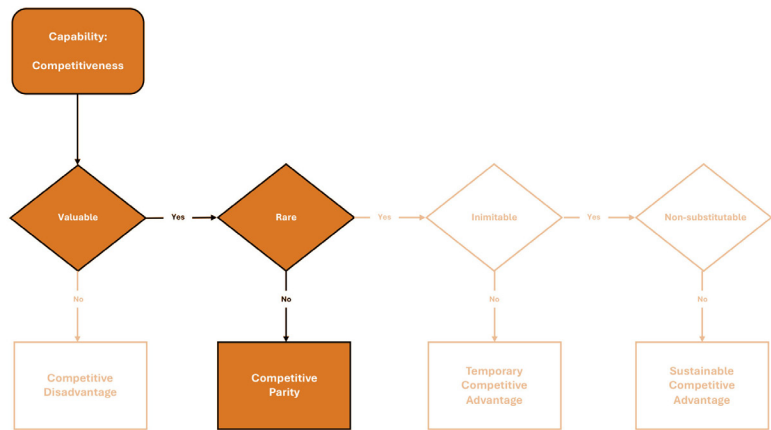


**Graph 4 – Campbell's Efficiency as Competitive Parity**

**Caption:** Campbell's efficiency underscores its ability to optimize processes and manufacturing through synergies and technologies. While efficiency is a valuable capability, it is not rare as most competitors similarly leverage efficiency across operations (Gasparro, 2020).

**Efficiency**

Campbell's is continuously striving to enhance operations through efficiencies. Post brand acquisition, the company looks for ways to leverage synergies in processes. According to CEO, Mark Clouse, "Campbell's is in the process of integrating its network of warehouses, creating regional depots where both categories of snacks can be sorted and loaded onto trucks at a single point, and investing in tech and automation upgrades to those facilities to make them more simplified and efficient" (Back, 2023). While these efficiency efforts are admirable and create value for shareholders, most large companies leverage similar efficiencies, thus creating competitive parity.



**Graph 5 – Campbell's Competitiveness as Competitive Parity.**

**Caption:** Competitiveness is an important capability at Campbell's. Value is harnessed through a growth mindset, taking bold actions, fast movement and playing-to-win. However, as most large food manufacturers are innovative and move quickly, competitiveness is not rare within the industry (Black 2023).

### Competitiveness

According to Campbell's, one of the '5Cs' of the company's values is competitiveness (Campbell Soup Company, 2023). Included within this value is a growth mindset, taking bold actions, moving fast and playing to win. A growth mindset includes innovation in ad campaigns, packaging and recipes. Taking bold actions emphasizes creating new tastes and using technology to deliver differentiated products. Moving fast incorporates use of market intelligence tools to make faster decisions. Finally, playing to win focusses on outperforming competitors. Competitiveness helps drive value for employees, customers and shareholders, however, it is not rare and, at best, creates competitive parity with similar, peer companies.

*4. Create a SWOT matrix for the corporation based on external and internal analyses. Remember to use examples or evidence.*

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Diverse set of products and categories (soups, snacks, meals, beverages), Campbell's is well positioned to continue to expand its portfolio and broaden market reach (Back, 2023).</li> <li>• Brand acquisitions add strength to the overall portfolio (Ojea, 2024).</li> </ul>	<ul style="list-style-type: none"> <li>• Lighter growth when compared to peers within the same industry (Newman, 2024).</li> <li>• Manufacturing plants are U.S. based, requiring higher labor costs and more complex global distribution networks (Gasparro, 2021).</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Market expansion and globalization of manufacturing (Back, 2023).</li> <li>• Reduction in interest rates will allow for growth and capital investment (Mutikani, 2024).</li> </ul>	<ul style="list-style-type: none"> <li>• Increased regulation and compliance from local, state, federal and international groups and agencies (Campbell Soup Company, 2023).</li> <li>• Global warming and natural disasters impacting supply-chain (Campbell Soup Company, 2023).</li> </ul>

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